



cc:Chancellor
 FST
 EST
 MST
 Sir P Middleton
 Mr Bailey
 Mr Anson
 Mr Gilmore
 Mr Gray
 Mr Revolta
 Mr Perfect

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Douglas Hurd MP
 Secretary of State
 Home Office
 50 Queen Anne's Gate
 London
 SW1H 9AT

Mr Sutton
 Mr Cropper
 Mr Lord
 Mr Knight

Received 30/10
1. retaken.

DRS
30/10

14 October 1985

Dec Douglas,

HANDSWORTH

Thank you for copying me your letter of 26 September to Kenneth Baker. I have since seen his reply.

Before agreeing to special assistance we need to be satisfied that the costs arising are greater than could be expected to be allowed for contingencies by a prudent authority, and that the costs could be properly identified as genuine consequences of the immediate emergency.

If special assistance is to be given, I would favour the Special Financial Assistance rules outlined in Lord Bellwin's letter of 14 April 1983. The threshold, defined as an amount per head of population, should however be indexed as Leon Brittan proposed when Chief Secretary in his letter of 7 February 1983. My officials would need to consider with yours the procedure involved including any necessary Supplementary Estimates.

As far as disregard is concerned, providing it is concluded that the disturbances are properly identified as an emergency, I would in this case also be prepared to consider a disregard on expenditure in 1985-86.

Special assistance for costs above those allowed for in expenditure plans will imply a claim on the Reserve. It goes without saying that we should minimise such claims and I must urge you and Kenneth to do your best in looking for offsetting savings from your cash limited programmes, including cash limit offsetting from underspends, notwithstanding the other pressures especially on Home Office votes of which I am aware.

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Your letter referred only to Handsworth, and I have limited my reply to this. You will no doubt consider further how to handle the consequences of other recent disturbances, although I would assume that the same principles would apply, including the basic point that costs would be funded from contingencies as far as possible.

I am copying this letter to Kenneth Baker.

Yours ever,

JM

JOHN MacGREGOR

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